

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE: . Case No. 01-1139 (JKF)
. .
W.R. GRACE & CO., .
et al., . USX Tower - 54th Floor
. 600 Grant Street
. Pittsburgh, PA 15219
Debtors. .
. April 7, 2008
. . 9:16 a.m.
.

TRANSCRIPT OF TRIAL
BEFORE HONORABLE JUDITH K. FITZGERALD
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

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For Deutsche Bank: Deutsche Bank
By: MATT DOHENY

For Future Claims Representatives: By: GARY RASMUSSEN

1 THE COURT: Good morning. This is the continuation
2 of the personal injury estimation trial in the W.R. Grace
3 matter, 01-1139. Participants by phone, William Corcoran,
4 James O'Neill, Catherine Chen, Shayne Spencer, Walter Slocombe,
5 Jeanna Rickards, Mark Hurford, Peter Lockwood, James Wehner,
6 Jerry White, Bernard Bailor, Leslie Kelleher, Michael Davis,
7 Robert Guttman, Elihu Inselbuch, Francis Monaco, James Rieger,
8 Kim Christensen, Matthew Daiker, Rajeev Narang, Matthew Kramer,
9 David Parsons, Janet Baer, Marti Murray, Darrell Scott, Michael
10 Lastowski, Christina Kang, Theodore Tacconelli, Jonathan
11 Brownstein, Natalie Ramsey, Jay Sakalo, Alan Madian, Theodore
12 Freedman, Ari Berman, Guy Baron, Terrence Edwards, Jason
13 Solganick, Alex Mueller, David Turetsky, Debra Felder, John Ku,
14 David Beane, Daniel Speights, Kirk Hartley, John Phillips,
15 Leticia Chambers, Lewis Kruger, Martin Dies, Robert Horkovich,
16 Scott Beana, Beau Harbour, Matthew Russell, Andrew Craig,
17 Daniel Silver, Matt Doheny, Edward Westbrook, Elizabeth Devine,
18 Christine Skubic, and Peter Shawn. I'll take entries in court,
19 please. Good morning.

20 MR. BERNICK: David Bernick for Grace.

21 MS. HARDING: Barbara Harding for Grace.

22 MR. MCMILLAN: Scott McMillan for Grace.

23 MR. HOROWITZ: Greg Horowitz for the Official Equity
24 Committee.

25 MR. FINCH: Nathan Finch for the ACC, Your Honor.

1 MR. INSELBUCH: Elihu Inselbuch for the
2 CC.

3 MR. FRANKEL: Good morning, Your Honor. Roger
4 Frankel for the FCR.

5 MR. MULLADY: Ray Mullady for the FCR.

6 MR. ANSBRO: John Ansbro for the FCR.

7 MR. PASQUALE: Good morning, Your Honor. Ken
8 Pasquale, and with me my colleague Arlene Krieger from Stroock
9 for the Unsecured Creditors Committee.

10 MR. RASMUSSEN: Good morning, Your Honor. Gary
11 Rasmussen for the Future Claims Representatives.

12 THE COURT: Mr. Bernick.

13 MR. BERNICK: Good morning. We hope that the Court
14 will agree that this is not only a fine day here in Pittsburgh,
15 but also one for this case. As Your Honor is now very, very
16 well aware, Grace filed this Chapter 11 case in order to both
17 define and resolve its personal injury liabilities, and over
18 the weekend an agreement has been reached regarding those
19 liabilities. The agreement includes Grace.

20 THE COURT: Pardon me?

21 MR. BERNICK: The agreement includes Grace, the
22 Futures Claimant representative David Austern, the Asbestos
23 Claimants Committee, and the Equity Committee. We know that
24 the unsecured creditors are in the process of evaluating this
25 agreement in principle and as will others as they become

1 familiar with the terms of the agreement. I know that Your
2 Honor has been furnished a copy of the press release dealing
3 with this agreement in principle. That press release is being
4 issued now, and therefore the markets will be informed before
5 opening. The press release describes the basic economics of
6 the arrangement, and I'll simply review them very briefly, but
7 the press release covers them, as well. It calls for obviously
8 the establishment of a 524(g) trust. That trust would be
9 funded with cash in the amount of \$250 million, warrants to
10 inquire ten million shares of Grace common stock at an
11 exercised price of \$17 per share. Those warrants would expire
12 one year from the effective date of the plan of reorganization.

13 Also to go into the trust are rights to proceeds
14 under Grace's asbestos related insurance coverage, also the
15 value of cash and stock under the litigation settlement
16 agreements with Sealed Air Corporation and Fresenius Medical
17 Care Holdings, Inc. And then beginning in year 2019 deferred
18 payments at \$110 million per year for five years commencing on
19 that date, and thereafter for a period of ten years \$100
20 million per year, which would be then beginning in 2024. The
21 deferred payments would be obligations of Grace backed by 50.1
22 percent of Grace's common stock to meet the requirements of
23 524(g). So those are the essential economics.

24 Obviously a lot of work has to be done to make this
25 agreement in principle into a plan of reorganization, but the

1 company hopes very much and I know that the folks who have
2 agreed to the term sheet thus far hope very much to have Grace
3 out of Chapter 11 by the end of the year. It may spill over to
4 the beginning part of next year.

5 We wanted to inform the Court of this. I think that
6 there are probably some administrative matters that flow from
7 this agreement in principle that we'd like to take up with the
8 Court in chambers. I know that Mr. Kramer is present by
9 telephone this morning and he was in the process of giving me,
10 Your Honor, his telephone number so that we can contact him
11 from chambers if that's appropriate from the Court's point of
12 view. So that's what we'd like to do next. But before we do
13 anything else while there's much that needs to be done to make
14 this agreement into a reality and a plan of reorganization I
15 think I speak for everybody in saying that we very much
16 appreciate all of the hard work that Your Honor has dedicated
17 to this matter as well as the very active support and hard work
18 of the Court's support staff, and we appreciate your patience
19 and guidance in this process and hopefully this is now moving
20 us in a direction where we can see the light at the end of the
21 tunnel. This is the principle issue that brought us into
22 Chapter 11 and now that we hope is being resolved. We expect
23 that the other issues can be resolved or dealt with in an
24 appropriate fashion and promptly, as well.

25 THE COURT: Well, you know it's certainly good news

1 if the rest of the parties will buy off on this, so I guess
2 you've got your work cut out for you to make sure that they
3 will. So if the Court can assist in some process then
4 obviously that's what I'm here for. I think adjournment to
5 chambers is probably a good idea so we can figure out what to
6 do with the rest of the personal injury estimation trial while
7 you contact other parties to see what will happen with this
8 agreement in principle. Obviously you've got some papering
9 documentation work that has to be done, as well. So let's
10 adjourn the record. I am going to terminate -- well, I guess
11 -- should we terminate the Court Call proceedings? Do you want
12 just simply to --

13 MR. BERNICK: I think so. I think that it would good
14 if I've got Mr. Kramer's number, and that's -- I have it as
15 305-350-7246, is that right, Matt?

16 MR. KRAMER: Yes, it is.

17 MR. BERNICK: Okay. So if we can -- I think
18 everybody else -- all the other committees, et cetera are
19 present here in court and can participate in chambers so with
20 Matt on the line I think that we can do everything else in
21 chambers, and I don't think it's going to take very long
22 frankly either.

23 THE COURT: Okay. If you adjourn to the clerk's
24 conference room where we met on the first day of the case I'll
25 meet you over there and we'll see -- I think we can get in

1 touch with Mr. Kramer from there. Okay.

2 UNIDENTIFIED SPEAKER: Thank you, Your Honor.

3 THE COURT: Thank you. This case will be adjourned.

4 In the event that we need further proceedings through Court
5 Call I will have the debtor schedule a notice. Perhaps what
6 might be advisable is to keep the Court Call list active for
7 tomorrow just in the event that some further followup is
8 necessary. Okay, we'll do that. All right, we're adjourned
9 until 9 a.m. tomorrow morning.

10 * * * * *

11 C E R T I F I C A T I O N

12 I, Lori Auletta, court approved transcriber,
13 certify that the foregoing is a correct transcript from the
14 official electronic sound recording of the proceedings in he
15 above-entitled matter.

16 /s/ Lori Auletta

April 15, 2008

17 LORI AULETTA

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